



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

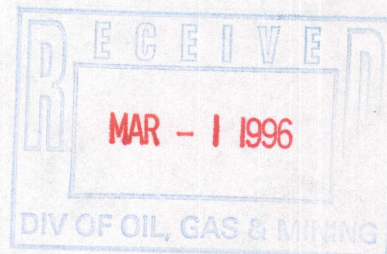
5001/027

Michael O. Leavitt
Governor

David T. Terry
Director

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801-538-5508
801-355-0922 (Fax)

February 27, 1996



Danny Gatten, Project Coordinator
Pearl Queen Perlite Corp.
520 S. 300 E.
P.O. Box 490
Milford, UT 84751

RE: ML 3092 VM, Beaver Co.

Dear Mr. Gatten,

Thank you for submitting a notice of intent to commence large-mining operations upon lands within the above numbered lease. Please consider the following comments from the School and Institutional Trust Lands Administration.

1. Mineral lease ML 3092 is held in the name of Monitor Minerals Ltd., as Lessee. A letter, designating Pearl Queen Perlite Corp. as the operator under this lease must be submitted by the Lessee prior to the commencement of operations.
2. A cultural resources survey of the property by the lessee or operator may be required. I will consult the Division of State History and advise you further on this matter.
3. Regarding items 3a. And 3b., page 8 of the notice of intent, Lessor requires that all stockpiles of overburden material be flattened thru regrading of the site during reclamation.
4. The current lease agreement stipulates that royalty must be paid to the Lessor upon the dry weight of perlite rock mined from the leased lands and removed by the Lessee. As you, Ron Carlson and I discussed this matter, we concluded that royalty must be paid upon all of the perlite that is hauled from the leased lands, including fines material which may be produced at the processing plant during crushing and screening operations. Therefore, please plan upon keeping accurate records and paying royalty upon the dry weight of perlite fines which may be stockpiled or returned to the mine site as well as upon the dry weight of perlite product that is shipped to market.
5. The Division of Oil, Gas & Mining will compute a reclamation bond amount for the proposed mine. The School and Institutional Trust Lands Administration may require an additional amount of bonding to ensure royalty payment.

Thank you for your diligence in bringing this property toward commercial production. Please contact me if you have any questions in this matter.

Sincerely,

John T. Blake

cc: Ron Carlson
Tom Munson



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